THE UNITED STATES SUGAR PROGRAM

Including Sugar Act Amendments of 1962

The Sugar Industry. Per capita consumption of refined sugar in the continental United States averages about 97 pounds per year. Over half of the tremendous quantity of sugar required to meet this consumer demand is being supplied by domestic growers of sugarcane and sugar beets, only slightly less from beets than from cane. The balance, almost all cane sugar, is imported. Further details for 1959-62 are shown in the table on page 10.

The mainland sugarcane producing area consists of the States of Louisiana and Florida. The offshore domestic sugarcane areas are the State of Hawaii, the Commonwealth of Puerto Rico, and the Virgin Islands. The sugar beet producing area consists of the following 20 States (arranged in decreasing order of production importance in the 1961 crop): California, Colorado, Idaho, Washington, Minnesota, Michigan, Nebraska, Montana, Wyoming, North Dakota, Oregon, Utah, Ohio, Kansas, South Dakota, Wisconsin, Illinois, Texas, Iowa, and New Mexico.

About 45,000 domestic farms grow sugarcane or sugar beets. To cultivate and harvest these sugar crops about 220,000 farm workers are required, mostly on a seasonal basis. The farm investment in growing sugarcane and sugar beets in all domestic areas was estimated as about 750 million dollars in 1959 and has increased since that time.

Agricultural Stabilization and Conservation Service
U. S. Department of Agriculture

To produce the refined sugar commonly used in American households most sugar produced from sugarcane goes through two stages of processing. The first process, which yields raw cane sugar, is that of extracting, boiling, crystallizing and centrifuging the cane juice. This is done in raw cane sugar mills in the areas where the sugarcane is grown.

Blackstrap molasses and bagasse are byproducts of this first processing of sugarcane juice. The former is used for cattle feed and for manufacture of ethyl alcohol, yeast, vinegar, and citric acid. Bagasse, the fibrous portion of sugarcane, is used principally as fuel in the cane mills and as raw material in the manufacture of building board, cardboard, and paper.

Most of the cane sugar brought to the mainland from offshore areas, both foreign and domestic, is in the raw form. It is put through the second process -- the refining process -- in refineries, most of which are located in large port cities. A few refineries, however, are located in producing areas and a few are located at other interior points. Refined sugars, refiners' sirups, and refiners' blackstrap molasses result from this second process.

In contrast to the dual processing of cane sugar, sugar from beets is processed in a single plant. The principal byproducts are beet molasses and beet pulp. The pulp is used for cattle feed. Beet molasses, like blackstrap, is used as an ingredient in cattle feed, and in the manufacture of yeast and citric acid. A substantial quantity of beet molasses is put through the Steffen's process for additional extraction of sugar. The resultant Steffen's waste is used to produce monosodium glutamate, which is used to accent desirable flavors in foods.

In the domestic areas, 63 beet sugar factories, 108 cane sugar mills, and 28 refineries were in operation in 1961. Approximately 55,000 workers were employed in these sugar-making plants. One additional beet sugar factory (in California) and 6 additional cane sugar mills (in Florida) are under construction.

The Sugar Act and How it Works

How the Act Developed. For almost 150 years -- from 1789 to 1934 -- the United States sugar industry was protected and regulated almost solely by tariff duties. With the onset of the world-wide depression in the early 1930's, however, it became clear that the industry had become so ramified and price and production relationships among domestic and foreign producing areas so complex that further adjustments in the tariff duties would no longer provide an adequate answer to the problem.

To meet this situation, the Jones-Costigan Act was approved by the President on May 9, 1934. Although there have been modifications made in various operating provisions, the basic philosophy underlying this Act has been carried forward in subsequent legislation. The Act set forth six principal means for dealing with the sugar problem:

(1) The determination each year of the quantity of sugar needed to supply the Nation's requirements at prices reasonable to consumers and fair to producers.

(2) The division of the United States sugar market among the domestic and foreign supplying areas by the use of quotas and subordinate limitations on offshore direct-consumption sugar.

(3) The allotment of these quotas among the various processors in each domestic area.

(4) The adjustment of production in each domestic area to the established quotas.

(5) The use of tax receipts to finance payments to compensate growers for adjusting production to marketing quotas and to augment income, and

(6) The equitable division of sugar returns among beet and cane processors, growers, and farm workers.

The Jones-Costigan Act was superseded by the Sugar Act of 1937, which in turn was superseded by the Sugar Act of 1948. The latter, with modifications made by amendments in 1951, 1956, 1960, 1961 and 1962, has been extended through December 30, 1966, except that quotas for foreign countries and certain related provisions are established only through 1964.

The amendments in 1960, 1961 and 1962 provided for setting aside the quota for any country with which the United States is not in diplomatic relations. These amendments were prompted by the revolution in Cuba which had been our principal foreign sugar supplier since early in this century. The 1962 amendment also provides for recovering, through a fee, part of the price advantage otherwise accruing to our foreign suppliers from the quota system.

How the Act Works

The Sugar Act of 1948, as amended, is designed to protect the welfare of the domestic sugar industry, to provide adequate supplies of sugar for consumers at fair prices, and to promote international trade. These three objectives are achieved through the adjustment of supplies of sugar that may be marketed in the United States and - after mid-1962 - by management of the fee applicable to imported sugar.

The Determination of Sugar Requirements. Under provisions of the Act, the Secretary of Agriculture determines how much sugar will be needed to fill continental United States requirements during each calendar year. The determination, which is made in December for the year following but may be revised later if the needs change, establishes the quantity of sugar that may be marketed in the United States during the year.

In making his initial estimate the Secretary uses as a basis the quantity of sugar distributed during the preceding 12-month period ended October 31. Then he makes allowances for deficiencies or surpluses in the Nation's sugar inventories and for changes in consumption caused by changes in population and in demand conditions. The Secretary also considers the relationship between prices for raw sugar and the parity index (index of prices paid by farmers) so that sugar prices will be neither excessive to consumers nor too low to protect the welfare of the domestic sugar industry.

The Secretary must also determine requirements for consumption in Hawaii and Puerto Rico so that the general price and marketing objectives will be similar in all American markets.

Establishing Quotas for Domestic and Foreign Producing Areas

After the Secretary has determined overall requirements, domestic and specified foreign producing areas supplying the United States with sugar are assigned quotas representing their shares of the market as specified by the Act.

Under the quota provisions enacted in 1962, the domestic sugar-producing areas are assigned a base of 5,810,000 short tons, raw value,1/ plus 65 percent of requirements in excess of 9,700,000 tons. Such increases are shared

1/ Raw value is the term used in the Sugar Act to express in a common unit the various types of raw and refined sugars that move in commerce. One ton of refined sugar equals 1.07 tons of sugar, raw value.

by the domestic beet sugar area and the mainland cane sugar area in proportion to their basic quotas, or approximately on a three-fourths and one-fourth basis, respectively. Provision is made to increase quotas for Hawaii and Puerto Rico when the need has been demonstrated, such increases to be offset by reducing the quantity prorated to foreign countries other than the Republic of the Philippines.

Beginning in 1962, the quota for the Republic of the Philippines is fixed at 1,050,000 tons of sugar, or about 70,000 tons, raw value, more than was previously provided for in both the Philippine Trade Agreement and the Sugar Act. Quotas for other specified foreign countries are established as percentages of the requirements remaining after the quotas for domestic areas and the Philippines have been established.

The proration to the various domestic and specified foreign supply areas at the basic level of requirements (9,700,000 tons) and from each 100,000 ton increase above this level is shown on the following page.

Whenever the United States is not in diplomatic relations with any country (currently Cuba), any quota otherwise specified for it under the Act is not granted. The quantity so withheld may be designated a "global quota" to be filled by competitive imports of raw sugar from any country which, for the current and next preceding year, was a net exporter of sugar. The Act requires that in authorizing such "global" importations, special consideration is to be given to countries of the Western Hemisphere and to those countries purchasing United States agricultural commodities.

Most of the quotas for the domestic offshore and foreign supply areas may be filled only with raw sugar, which is defined as sugar which is to be further refined or improved in quality on the mainland. Other sugar is

Proration of quotas
under Sugar Act Amendments of 1962

Area	When quotas total 9,700,000 tons	Each 100,000 tons in excess of 9,700,000 tons total
Domestic		
Domestic beet sugar	2,650,000	48,589
Mainland cane sugar	895,000	16,411
Hawaii	1,110,000	0
Puerto Rico	1,140,000	0
Virgin Islands	15,000	0
Total domestic	5,810,000	65,000
Foreign		
Philippines	1,050,000	0
Cuba	1,484,121 1/	20,220
Peru	189,804	2,348
Dominican Republic	319,804 2/	2,348
Mexico	189,804	2,348
Brazil	180,186	2,230
British West Indies	90,235	1,116
Australia	39,884	494
Republic of China	35,075	435
French West Indies	29,984	371
Colombia	29,984	371
Nicaragua	24,892	308
Costa Rica	24,892	308
Ecuador	24,892	308
India	20,084	248
Haiti	20,084	248
Guatemala	20,084	248
South Africa	20,084	248
Panama	14,992	185
El Salvador	10,183	126
Paraguay	9,900	123
British Honduras	9,900	123
Fiji Islands	9,900	123
Netherlands	9,900	123
Other countries	1,332	0
Ireland	10,000	0
Argentina	20,000 3/	0
Total	3,890,000	35,000
Grand total	9,700,000	100,000

1/ Percentage proration reduced 150,000 tons to cover added allocations to Dominican Republic and Argentina. Balance of proration, not made while U.S. is not in diplomatic relations with Cuba, becomes "global quota."

2/ Includes 130,000 tons allocated from proration for Cuba.

3/ Allocated from proration for Cuba.

called "direct-consumption sugar," and includes primarily white refined and other types of sugar familiar in home consumption.

Prior to 1960, about 650,000 tons of direct-consumption sugar were entered from offshore domestic and foreign areas each year. In 1960, the quantity was much smaller, in 1961 only one-half as large, and under the 1962 amendments the total has been reduced to about 250,000 tons, almost all of it to come from offshore domestic areas and the Republic of the Philippines.

Unrestricted imports of refined sugar would reduce the volume of mainland refining and would create price problems because offshore direct-consumption sugar is quoted at lower prices than sugar refined in the United States.

Fees applicable to foreign sugar. Importations to replace quotas not granted because of lack of diplomatic relations are subject to a fee to take up the difference between a price in the United States that will fulfill the objectives of the Act and the price at which sugar is available for import. Thus the fee, when applicable at the full rate, diverts to the U. S. Treasury amounts roughly comparable to the so-called "premium" that foreign countries otherwise receive on sales to the United States as compared with sales to most other countries. No fee is applicable to imports under quota from the Philippines.

Fees lower than the full "premium" rate apply to importations within basic quotas for foreign countries other than the Philippines and to all importations to fill "deficit allocations" resulting from the inability of any domestic area or foreign country to fill its basic quota. The rates for such importations of raw sugar are 10, 20 and 30 percent of the full rates

for 1962, 1963 and 1964, respectively. Rates for sugar for direct consumption are 0.1, 0.2 and 0.3 cent per pound more than for raw sugar in the same annual succession.

The distribution of our total sugar supply in 1959, the last year in which Cuba's quota was established in the traditional manner, and for 1960, 1961, 1962 is shown in the table on page 10. The adjusted quotas reflect deficits for Hawaii and Puerto Rico in all four years, for the Virgin Islands for the first three years, and for the mainland cane area in 1962. Those for the other domestic areas, for Cuba in 1959, and the Philippines in 1962 include their shares of the deficits. The adjusted domestic area quotas were not entirely filled in 1959 (by about 155,000 tons) or in 1960 (by about 600,000 tons) but were exceeded in 1961 (by about 80,000 tons). Shortfalls in 1961 foreign authorizations aggregated about 170,000 tons. Thus, the supplies actually becoming available within the total quotas and authorizations were about 9,245,000 tons for 1959, 9,520,000 tons for 1960 and 9,730,000 tons for 1961.

Deficits in Quotas. If the Secretary finds that any domestic area or foreign country cannot supply its quota, he must allocate the deficit to other foreign countries. First he is required to increase the quota for the Republic of the Philippines by a proportionate amount. The remainder then is allocated to Western Hemisphere countries having basic quota prorations, with special consideration given to countries purchasing United States agricultural commodities. Quantities that the Republic of the Philippines or other Western Hemisphere countries having basic quota prorations can not fill are treated as quantities that may become "global" quotas.

Sugar quotas and purchase authorizations, 1959-1962

Area	1959	1960	1961	1962 as of Aug. 20 1/
		Short tons, raw value		
Domestic				
Domestic beet	2,267,665	2,514,945	2,609,170	2,650,000
Mainland cane	697,783	773,873	715,000	845,000
Hawaii	977,970	940,444	1,030,000	1,080,000
Puerto Rico	969,875	893,620	980,000	890,000
Virgin Islands	12,405	8,618	17,330	15,000
Total domestic	4,925,698	5,131,500	5,351,500	5,480,000
Foreign				
Philippines	980,000	1,156,426	1,470,731	1,302,401
Cuba	3,215,457	2,419,655	0	0
Peru	95,527	273,827	636,377	401,633
Dominican Republic	81,457	452,814	333,880	647,115
Mexico	64,809	400,437	685,000	450,225
Brazil	0	100,347	306,474	148,005
British West Indies	84	92,849	266,007	79,430
Australia	0	0	90,000	15,053
China, Republic of	3,624	10,476	170,028	67,297
French West Indies	0	0	75,000	26,061
Colombia	0	0	46,000	41,316
Nicaragua	14,027	41,766	43,368	59,395
Costa Rica	3,616	10,469	30,250	19,454
Ecuador	0	0	36,000	19,395
India	0	0	175,000	107,580
Haiti	7,014	35,672	45,273	18,962
Guatemala	0	6,000	17,000	15,558
South Africa	0	0	0	7,580
Panama	3,624	10,476	10,000	10,717
El Salvador	0	6,000	12,000	13,843
Paraguay	0	0	5,000	3,736
British Honduras	0	0	0	0
Fiji Islands	0	0	0	8,736
Netherlands	3,731	10,556	10,000	5,070
Canada	631	2,288	1,897	316
United Kingdom	516	1,871	1,550	258
Belgium	182	660	1,635	1,070
Hong Kong	3	11	30	2
Argentina	0	0	0	10,000
Ireland	0	0	0	10,000
Global quota	0	0	0	541,743
Sub-total	9,400,000	10,164,100	9,820,000	9,511,951
Not prorated or authorized	0	235,900	180,000	188,049
Total	9,400,000	10,400,000	10,000,000	9,700,000

1/ For domestic areas, calendar year quotas, less deficits declared; for the Philippines, sum of calendar year quota, proration of deficit and January-June purchase authorizations; for other foreign countries, sum of July-December quota prorations, including deficits, January-June quotas and purchase authorizations.

A deficit determination for a domestic area or the Republic of the Philippines does not deprive the area of the right to supply its full basic quota if it later is able to do so.

Establishing Marketing Allotments. One important function of the sugar program is to promote orderly marketing. The establishment of quotas and import fees, alone, may not accomplish this when supplies in domestic producing areas materially exceed quotas. If, for example, a domestic area has more sugar available for marketing than its quota, each of the various processors is likely to rush sugar to market to make sure that he disposes of his supply before the quota is filled. This tends to bring about a temporary over-supply, panicky sellers, and an unwarranted decline in price.

If the Secretary finds that the pressure of supplies in an area is likely to cause disorderly marketing, he must allot the quota fairly among the processors. The allotment is based on past marketings of sugar by the various processors, their ability to market sugar during the season for which the allotment is being made, and on their sugar processings from beets or cane to which "proportionate farm shares" pertain. In 1961, only the quota for the Domestic Beet Sugar Area was allotted; as of late August no 1962 quotas were allotted. When allotments of the Domestic Beet Sugar Area quota again become necessary, those made to new or expanded factories processing beets from acreage reserved for new producers (see page 13) must permit an equitable opportunity to market the sugar made from such beets.

Assigning Proportionate Shares. In the domestic areas, the Secretary must, in addition to establishing processor allotments, see that each sugar-producing farm gets its fair share of the available market. In dividing this market the Secretary must allow for enough sugar to fill the quota for

the applicable year and to provide a normal carryover inventory. If the crop prospect is for this or a smaller amount of sugar, production is unrestricted on all farms. Each farm allotment, known as its "proportionate share," is expressed either in acres, tons of sugarcane, or beets, or quantity of sugar.

The purpose in assigning specific shares to farms in a particular area is to adjust crop output to the area's quotas and normal carryover and to assure that each farm will share equitably in this adjustment. Thus, past production and the ability of the farm to produce beets or cane during the year for which the determination is being made must be considered.

The Act also requires the Secretary to protect the interests of small and new producers and producers who are tenants or sharecroppers, and to consider the interest of producers in any local producing area where past production has been seriously affected by abnormal and uncontrollable natural conditions. For farms in all domestic areas for the 1961 and 1962 crops the specific shares were the acreages actually harvested for sugar. In other words, there were no individual farm restrictions.

On August 21, 1962 announcement was made that individual farm restrictions would be established for the 1963 mainland sugarcane crop and that the 1963 sugar beet crop would be unrestricted. Need for individual farm restrictions in the domestic offshore areas is not likely to occur since their quotas, although reduced in the 1962 amendments, are larger than current production and may be increased if production increases require it.

Producers are not required to stay within their assigned proportionate shares. They must do so, however, if they wish to receive "conditional payments" as authorized under the Act. These payments are an important

part of their income. Generally, too, processors refuse to buy sugarcane or sugar beets from non-proportionate share acreage because sugar produced from such acreage is not considered in establishing marketing allotments for the processors.

Sugar beet acreage reserves for new producing localities. Amendments to the Sugar Act in 1962 included provisions for sugar beet acreage reserves to be used primarily for new production areas. These provisions reserve each year the acreage required to yield 65,000 short tons, raw value, of sugar to be committed to new factory areas or, if none start operating in a certain year, to areas served by expansion of existing factories.

Informal public hearings are required before distribution is made of the sugar beet acreage reserve. Notice of the first such hearing was announced by the Department in late August 1962.

Conditional Payments to Growers. In addition to providing an incentive to growers to adjust their production to quota and carryover needs,the conditional payments have three objectives: (1) to help give growers adequate income from sugarcane and sugar beet production; (2) to assure growers and their fieldworkers a fair share of the returns to the sugar industry; and (3) to prevent the employment of child labor in field work.

The first objective is automatically achieved by the payment itself. The second and third objectives are attained by requiring growers, in addition to complying with their proportionate shares, to pay field workers in full for work performed on cane or beets at rates not less than those determined by the Secretary to be fair and reasonable, to observe child labor provisions specified by the Act, and -- if they are processors as well as growers -- to pay fair prices for cane or beets purchased from other growers.

The child labor provisions require that growers must not employ children under the age of 14 nor permit them to work on sugar beets or sugarcane. Children between the ages of 14 and 16 may not be employed or permitted to work for more than 8 hours a day. Growers who own at least 40 percent of the crop they are cultivating are exempted from these provisions with respect to their own children. Unless a grower observes these conditions he is penalized by a deduction of $10 from his payment for each day or part of a day during which each such child was employed or permitted to work.

The rate of the conditional payment declines as the volume of commercially recoverable sugar contained in the cane or beets marketed by the farm increases. The basic rate of 0.8 cent a pound of sugar, raw value, or $16.00 a ton, is paid on the first 350 short tons produced. This rate is reduced progressively to a minimum of 0.3 cent a pound, or $6.00 a ton, on all sugar produced in excess of 30,000 tons.

The sugar program also gives limited benefits to growers in the form of special conditional payments for crop deficiency or abandonment caused by drought, flood, storm, freeze, disease, or insects. For a farmer to be eligible for these payments, the natural disaster must cause damage to all or a substantial part of the crop throughout the local producing area in which the farm is located.

Program Administration. The State and county Agricultural Stabilization and Conservation (ASC) committees are responsible for local administration of both the farm proportionate share (acreage allotment) and the conditional payment parts of the program. This local administration is based on procedures and program regulations developed by the Sugar Division of the Agricultural Stabilization and Conservation Service in Washington and approved by the ASCS Administrator.

All regulations issued under the authority of the Sugar Act are announced by press release. They are published in the Federal Register a few days later. They are codified as Title 7 Chapter VIII of the Code of Federal Regulations.

Certain regulations must be preceded by public hearings. These are marketing allotment orders, the distribution of the sugar beet acreage reserve to new producing localities, fair price and fair wage determinations, and the determination of processes and qualities which distinguish raw sugar from direct-consumption sugar.

Other regulations may be issued without public hearings. However, informal public hearings are customarily held when restrictive proportionate share regulations for individual farms are under consideration.

Prices and Consumer Benefits. The limitation that the quota system puts on total marketings of sugar in the United States under most circumstances makes prices to consumers enough higher than might otherwise prevail to fairly maintain the domestic sugar industry. The quota system, also, in the past has assured supplies adequate to maintain reasonable prices to consumers even when sugar prices were extremely high in the so-called "free world market." The large supplies and cooperation of Cuba (before the Castro revolution) provided the assured supplies and stable prices.

The modifications in the quota system brought about by the 1962 amendments to the Sugar Act are designed to retain the advantages of the quota system and at the same time gradually remove some of its major disadvantages. The global quota and import fees provided for in the 1962 Sugar Act Amendments will tend to increase the size of the world market significantly and also will divert to the Treasury a major portion of any future "quota premiums" on the foreign portion of our supply.

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